

## Message Text

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PAGE 01 LUSAKA 00110 231242Z

47

ACTION AF-04

INFO OCT-01 SS-14 ISO-00 EUR-10 EB-03 CIAE-00 INR-10

NSAE-00 RSC-01 TRSE-00 SPC-01 L-02 COME-00 NSC-10

NSCE-00 CIEP-01 PRS-01 INT-01 DRC-01 AID-10 GSA-01

( ISO ) W

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P R 230825Z JAN 74

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC PRIORITY 9718

INFO AMCONSUL CAPE TOWN

AMEMBASSY LONDON

AMEMBASSY PRETORIA

C O N F I D E N T I A L LUSAKA 110

LIMDIS

CAPE TOWN FOR EMBASSY

E.O. 11652: GDS

TAGS: EMIN, EFIN, ZA

SUBJ: GRZ NEGOTIATIONS WITH COPPER COMPANIES

1. SUMMARY. PRESIDENT KAUNDA HAS TAKEN PERSONAL INTEREST IN COPPER COMPANY NEGOTIATIONS AND GIVEN HIS ASSURANCE THAT US INVESTMENT IN ZAMBIA DESIRED, EVEN THOUGH COMPANY NEGOTIATING PROPOSALS NOT FULLY ACCEPTABLE. MATTER IS BEING REFERRED TO GRZ AND COMPANY LAWYERS AND PRESIDENT HAS INVITED AMAX REPS TO MEET AGAIN WITH HIM WEEK OF FEB 11. END SUMMARY

2. IN LETTER OF JAN 14 TO AMAX REPS KAUNDA OVER-RULED EX-MINMINES AND GRZ NEGOTIATOR MULEMBA WHO HAD AGREED LAST FALL TO AMAX FORMULA FOR PROTECTING ITS INTERESTS (SAFEGUARD CLAUSE BY TWO-THIRDS MAJORITY VOTE OF BOARD OF DIRECTORS). KAUNDA ADVISED AMAX REPS TO ENTER INTO TALKS WITH NEW MINMINES AND INDUSTRY KASHITA. LAST WEEK KASHITA ADVANCE GRZ FORMULA FOR PROTECTING  
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PAGE 02 LUSAKA 00110 231242Z

COMPANY INTEREST BY QUORUM REQUIREMENT RATHER THAN TWO-THIRDS

MAJORITY VOTE. (COMMENT: WHILE VUILLEQUEZ DID NOT SAY SO, THERE APPEARS TO BE LITTLE ESSENTIAL DIFFERENCE IN EFFECT OF TWO FORMULAS RE PROTECTION MINORITY SHAREHOLDER INTERESTS EXCEPT KASHIT COUNTER-PROPOSAL MAY HAVE COSMETIC ADVANTAGE FOR CENTRAL COMMITTEE AS BEING OF ZAMBIAN ORIGIN.)

3. VUILLEZUEZ AND ACHESON OF AMAX WILL DISCUSS PROPOSAL WITH AMAX CHAIRMAN MCGREGOR IN LONDON THIS WEEK AND LAWYERS FOR GRZ AND AMAX WILL MEET WEEK OF JAN 28 IN LUSAKA TO SEE IF DIFFERENCES CAN BE BRIDGED IN SEARCH FOR MUTUALLY ACCEPTABLE FORMULA.

4. PROTECTION OF INTERESTS OF MINORITY SHAREHOLDERS IS FUNDAMENTAL OBJECTIVE OF AMAX NEGOTIATORS. OTHER OBJECTIVES ARE RE-NEGOTIATION OF MANAGEMENT CONTRACT AND COMPENSATION FOR ABROGATION OF OLD MANAGEMENT AND SALES CONTRACT. THUS FAR COMPANY QUESTIONS ON COMPENSATION HAVE GONE UNANSWERED IN TALKS WITH MULEMBA AND KASHITA, ALTHOUGH MAY BE TAKEN UP AT LATER STAGE ONCE SAFEGUARD HURDLE PASSED.

5. WHILE VUILLEQUEZ DESCRIBED NEGOTIATIONS AS "BACK TO SQUARE ONE" AMAX REPS ARE NOT RPT NOT PESSIMISTIC ALTHOUGH THEY WOULD LIKE CLEARER INDICATION OF GRZ INTENTIONS REGARDING ACCOMMODATION OF COMPANY'S INTERESTS AND OBJECTIVES.

6. ENCOURAGING SIGN IS PRESIDENT'S PERSONAL INTEREST IN NEGOTIATIONS BY LETTER OF JAN 14, STATE HOUSE MEETING OF JAN 19 WITH AMAX REPS VUILLEQUEZ AND ACHESON AND PROSPECT OF SECOND MEETING WITH PRESIDENT WEEK OF FEB 11. AT FIRST MEETING KAUNDA COMPLIMENTED COMPANIES FOR THEIR CONTRIBUTION TO ZAMBIAN ECONOMY AND REITERATED HIS DESIRE TO HAVE US INVESTMENTS IN ZAMBIA. SAID THIS POLICY CONSISTENT WITH COUNTRY'S HUMANIST PHILOSOPHY AS WELL AS GOOD FOR DEVELOPMENT. PRESIDENT APOLOGIZED FOR DELAYED ENTRY INTO NEGOTIATIONS, SAYING POLITICAL CAMPAIGN AND ELECTIONS HAD ABSORBED HIS TIME.

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